

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 H-01 /095 W
-----120794 290558Z/12

R 291001Z JUN 77
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 3295
INFO AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY PARIS

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USEEC

USOECD

E.O. 11652: N/A
TAGS: EFIN, IR
SUBJECT: IRAN'S EXTERNAL BORROWING - SITREP

REFS: (A) 76 TEHRAN 11512, (B) TEHRAN 04121, (C) TEHRAN A-77

1. IRAN'S FOREIGN BORROWINGS WERE SIGNIFICANTLY LESS IN YEAR 2535 (ENDED MARCH 20) THAN AUTHORIZED OR OFFICIALLY PROJCTED. THE IMPERIAL GOVERNMENT OF IRAN'S \$500M BORROWING, THE FIRST SINCE 1973, WAS FINALLY CONCLUDED IN JANUARY BUT ONLY ONE-FORTH UTILIZED IN 2535, TWO GOVERNMENT DEVELOPMENT BANKS ADDED ANOTHER \$250M TO THE BORROWINGS IN THE LAST QUARTER OF 2535 (FIRST QUARTER 1977) BUT ON A BALANCE OF PAYMENTS (CASH FLOW) BASIS ONLY \$560M LONG-TERM OFFICIAL INFLOWS WERE REGISTERED IN 2535. AS REPORTED IN REF C, THERE IS LITTLE EXPECTATION THAT EVEN THE MAJOR PART OF THE \$1.4 BY AUTHORIZED

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THE CENTRAL GOVERNMENT AND \$1.6BN AUTHORIZED THE PUBLIC ENTERPRISES IN THE 2536 (ENDS MARCH 20, 1978) BUDGET WILL BE UTILIZED OWING TO IRAN'S BETTER THAN ANTICIPATED FOREIGN EXCHANGE POSITION AND THE PACE OF DEVELOPMENT PROJECTS. NONE THE LESS, THE FIRST EURODOLLAR AND DM SYNDICATIONS ARE NOW BEING CONCLUDED AND THE CENTRAL BANK HAS ESTABLISHED A \$600M AGGREGATE AUTHORITY FOR IRAN'S BANK'S FOREIGN

BORROWING IN 2536. CURRENTLY, GOI FISCAL AUTHORITIES ARE CROWING OVER IRAN'S HAVING JOINED THE SMALL CLUB OF GOVERNMENT BORROWERS BREAKING THE ONE (1) PERCENT OVER LIBOR BORROWING RATE; THIS WAS DONE WITH A \$250M CHASE MANHATTAN LEAD SYNDICATION TO BE SIGNED SHORTLY. DETAILS FOLLOW:

2. THE FOLLOWING, MUCH OF WHICH CONTAINS VERY SENSITIVE COMMERCIAL BANK INFORMATION, IS AN ENUMERATION OF IRAN'S EXTERNAL BORROWINGS CONCLUDED SINCE REF A, I.E. IN 1977 OR ANTICIPATED IN YEAR 2536:

A. THE IMPERIAL GOVERNMENT--THE \$500M EURODOLLAR PLACEMENT LED BY CHASE MAHATTAN SIGNED JANUARY 20, DETAILS IN REF A. OF THIS, \$125 M WAS DRAWDOWN IN MARCH BEFORE THE END OF 2535 AND AN ADDITIONAL \$125 M IN APRIL. WITH THE \$100 M BORROWED FROM JAPAN FOR THE IRAN JAPAN CHEMICAL COMPANY IN 2535, TOTAL RECEIPTS WERE ONLY \$225 LAST IRANIAN YEAR. MINISTRY OF ECONOMIC AFFARIS AND FINANCE (MEAF) VICE MINISTER ASHRAFI TOLD EMBOFF THAT THE IMPERIAL GOVERNMENT HAD NO PLANS TO BORROW IN 2536 AND WERE SUCH TO OCCUR IT WOULD BE LATE IN THE YEAR.

B. GOI'S AGRICULTURAL DEVELOPMENT BANK OF IRAN--\$130 M EURODOLLAR SYNDICATED BORROWING SIGNED FEBRUARY 11, ARRANGED BY FIRST BOSTON (EUROPE) AND IRAN OVERSEAS INVESTMENT COMPANY (IOIB); 7 YEARS, 3 YEARS GRACE, 1 AND 1/8 OVER LIBOR, LIMITED OFFICIAL USE

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3/8 FRONT AND 1/8 MANAGEMENT FEES. BORROWINGS IN 2536 UNKNOWN.

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OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
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FM AMEMBASSY TEHRAN
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C. GOI'S INDUSTRIAL CREDIT BANK--\$120 M EURODOLLAR SYNDICATION SIGNED MARCH 4 LED BY CHASE MANHATTAN WITH EIGHT CO-MANAGING AND 16 PROVIDING BANKS; 7 YEARS, 3 YEARS GRACE. 1-1/8 OVER LIBOR, 0.5 MANAGEMENT AND 0.5 COMMITMENT FEE. WHILE SPECIFIC BANK FOREIGN BORROWING DETERMINATIONS HAVE NOT YET BEEN MADE BY THE CENTRAL BANK, IT IS BELIEVED ICB WILL BORROW IN THE \$100 TO \$200 M RANGE IN 2536.

D. THE PRIVATE INDUSTRIAL AND MINING DEVELOPMENT BANK OF IRAN (IMDBI) BORROWED (1) IN APRIL \$30 M IN 7 YEAR FLOATING EURO-DOLLAR NOTES THROUGH A SYNDICATE LED BY MERRILL LYNCH AND THE INTERNATIONAL BANK OF IRAN (CHASE JOINT VENTURE BANK); NOTES MATURE IN 1984 AND CARRY SEMI-ANNUAL INTEREST RATE AT THE HIGHER OF EITHER 6.75 OR 0.375 OVER 6 MONTHS' LIBOR. THIS NOTE ISSUE, THE FIRST OF ITS KIND FOR AN IRANIAN INSTITUTION, DID NOT SELL WELL AND FELL IN THE SECONDARY MARKET; (2) DM 120 M EUROBOND CO-MANAGED BY DEUTSCHE BANK, SIGNED JUNE 15, AT 7.75 FIXED RATE, 10 YEARS, AVERAGE LIFE OF 8 YEARS AND NO REDEMPTION FOR 6 YEARS; (3) DM 100. EUROBOUND NOT YET SIGNED BUT LED BY LONDES BANK, 10 YEARS, EFFECTIVE YIELD OF

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7.625; HALF THE \$600 M CEILING FOR ALL IRANIAN BANKS.

E. THE PRIVATE DEVELOPMENT INVESTMENT BANK OF IRAN (DIBI) PLACED A \$15 M, 7 YEAR BORROWING WITH BANK OF AMERICA JUNE 17 AT A FLAT RATE OF 9 PERCENT. DIBI DID NOT BORROW EXTERNALLY IN 2535 ALTHOUGH IT HAD A \$65 M AUTHORITY; IT UTILIZED A \$30 M BOND ISSUE CONCLUDED IN 2534.

F. GOI'S IRAN AIR IS ABOUT TO SIGN A \$72 M (ORIGINALLY \$90 M) EURODOLLAR SYNDICATION ARRANGED BY THE IOIB AT 1 PERCENT OVER LIBOR, 7 YEARS, FOR FINANCING OF 3 BOEING 747'S AND PARTS. INTERESTING FEATURE IS THAT LOAN HAS NO MEAF GUARANTEE, JUST A MORTGAGE ON THE PLANES. A FAST DRAWDOWN IS ANTICIPATED.

G. GOI'S TELECOMMUNICATIONS COMPANY OF IRAN IS ABOUT TO SIGN A \$250 M EURODOLLAR SYNDICATION LED BY CHASE AND CO-MANAGED BY CITIBANK, DRESDNER, BANK OF NOVA SCOTIA AND TORONTO DOMINION AT THE MUCH HERALDED BREAKTHROUGH RATE (SEEDISH RATE)

OF 7/8 OVER LIBOR FOR FOUR YEARS AND 1 OVER LIBOR FOR LAST THREE YEARS. TO OBTAIN THIS DISTINCTION, GOI PLAYED BANK OFFERS AGAINST EACH OTHER AND LOSING PACKAGE, LED BY BANK OF AMERICA AT 1 FLAT OVER LIBOR LEFT SOME SENSITIVITIES IN LOCAL BANKING COMMUNITY. THE LOW RATE DISGUISES WHAT WILL BE FOR CHASE AN EFFECTIVE RATE OF PERHAPS 1 AND 3/8 OWING TO FOLLOWING PROBABLE FEATURES: 0.5 COMMITMENT, 3/8 MANAGEMENT TO THE FIVE BANKS, 3/8 PARTICIPATION AND AN ARRANGEMENT FEE TO CHASE.

H. OTHER BORROWING IN 2535 AND 2536 INCLUDE \$652 M BY A GERMAN BANKING CONSORTIUM LED BY DRESDNER TO FINANCE A NATURAL GAS FED POWER PLANT BEING BUILT BY BROWN BOVERIE FOR GOI'S IRAN POWER GENERATION AND TRANSMISSION CO.

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(DETAILS NOT KNOWN) AND SMALLER LOANS IN \$10 M RANGE FOR PROJECTS GUARANTEED BY GOI'S DEVELOPMENT BANKS, E.G. ICB.
SULLIVAN

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